

FY 2016 SNAPSHOT

RISK MANAGEMENT AND EMPLOYEE BENEFIT SERVICES

The purpose of this report is to provide an update on the status of the GMA risk management and employee benefit programs which include the Georgia Municipal Employees Benefit System (GMEBS) Retirement Fund, the GMEBS Other (than pension) Post-Employment Benefits (OPEB) Trust, the GMEBS Life and Health Insurance Fund, the GMA Workers' Compensation Self-Insurance Fund, the Georgia Interlocal Risk Management Agency (GIRMA) and the GMA Defined Contribution/Deferred Compensation (DC) Program over the course of the past fiscal year.

Combined, the retirement, OPEB and insurance funds represent a membership of nearly 1,300 local government entities and assets approaching \$2.3 billion. The GMA employee benefit and risk management funds continue to maintain strong financial positions in an environment characterized mostly by challenging conditions.

In summary, the benefits of the GMA risk management and employee benefit programs to GMA member cities are significant. Especially when considering the value-added services and the unique nature of the programs. Through these value-added services, (grants, legal advisory service, inmate medical program and renewal credits) fund members have received services valued at nearly \$30 million over the past five years.



The GMEBS Retirement Fund

Net assets of \$1.87 billion

Total membership of the retirement fund at fiscal year end was 285 members.

The total number of participants as of fiscal year end 2016 was over 38,000. The total number of participants is comprised of 55% active, 19% terminated vested, 4% survivors and 22% retirees.

The GMEBS Retirement Fund is the largest of the risk management and employee benefit funds in terms of assets. In fiscal year 2016, the fund's net assets increased from \$1.74 billion to \$1.87 billion, an increase of \$133.6 million. The net increase of \$133.6 million in fund assets was due primarily to investment income and increases in the fair market value of investments.

During the last five-year period, the fund's assets have increased from \$1.14 billion as of fiscal year end 2011 to \$1.87 billion as of fiscal year end 2016, an increase of \$732 million.

The broad diversification of the investment portfolio both by asset class and investment management style proved beneficial for the fund.

As of December 31, 2016, the fund's investment returns for the one, three and five-year periods were 9.42%, 6.91% and 11.20%

(annual equivalent), respectively. Compared to other large public funds included in the Callan (the fund's investment consultant) database, the GMEBS Retirement Fund ranked in the 4th, 1st and 1st percentiles for the one, three and five-year periods as of December 31, 2016.

Not losing sight of the long term nature of the retirement plan, the fund has been able to achieve an annual equivalent return of

9.24% for the 36-year period ending December 31, 2016. This return exceeded the actuarial investment return benchmark of 7.75%.



The GMEBS OPEB Trust

The GMEBS OPEB Trust assists cities in identifying and establishing the value of OPEB liabilities by offering actuarial services for this purpose and by providing a mechanism to accept funds for pre-

funding these obligations. Cities may participate in the trust by utilizing the actuarial services only, the trust only or by utilizing both the actuarial services and the trust.

There were 29 members in the trust at fiscal year end with total assets of \$21.2 million.

VALUE ADDED SERVICES = SAVINGS TO THE MEMBERSHIP

Through unique value-added services, (grants, a legal advisory service, an inmate medical program and renewal credits) fund members have received services valued at nearly **\$30 million** over the past five years. This is what makes GMA programs unique and separates GMA programs from products offered by traditional service providers.

The GMEBS Life and Health Insurance Fund

\$1.4 million awarded in grant funds since inception

The life and health fund had 164 members at fiscal year end. Membership is broken down into 153 health insurance members, two members participate only in dental and nine members participate only in the life insurance fund.

The fund continues to be in a good financial position. As of fiscal year end 2016, the fund had total assets of \$34.7 million.

The strong financial position of the fund allowed the board to subsidize rates by capping increases so that rate increases are more stable for the membership.

The strong financial position of the fund also allows the board to give money back to members for specific activities. Forty-five members of the fund were selected as recipients of Health Promotion Grants for 2016 receiving \$175,000 to assist in enhancing existing workplace health promotion and wellness programs or starting such programs. Over a five-year period, the fund has given nearly \$834,000 to selected members for wellness activities.

GMA WCSIF

\$2.5 million awarded in grant funds since inception

The GMA WCSIF is the largest risk management and employee benefit fund in terms of membership. Total membership in the fund was 476 members at fiscal year end.

Financially, the GMA WCSIF continues to be in a good position. As of fiscal year end 2016, the fund had total assets of \$190.5 million.

In 2016, nearly 60 safety grants were approved totaling nearly \$227,000 to leverage the purchase of critical safety equipment for employees. Since inception of the grant program, the fund has given more than \$2.5 million to members.

In 2016, House Bill 216 passed out of the General Assembly and was vetoed by Governor Deal. This bill would have amended Georgia's longstanding Occupational Disease Statute within the workers' compensation system by no longer considering cancer an ordinary disease of life for firefighters. Implementation of House Bill 216 would have placed significant costs on Georgia cities and strained the workers' compensation system.

Recognizing a need to provide assistance to Georgia's firefighters when they contract cancer, while also protecting the financial interests of Georgia cities, GMA worked with firefighters, elected officials and insurance industry experts to identify a compromise solution. The result of these efforts, and with support from Representative Micah Gravley and Senator John Albers, has been the 2017 passage of House Bill 146, known as the Firefighter Cancer Insurance bill.

House Bill 146 requires all legally organized fire departments to provide a lump sum payment to any firefighter diagnosed with certain types of cancer and up to three years of disability payments to firefighters who, because of injury or illness, cannot work as a firefighter. This new benefit requirement becomes effective on January 1, 2018. While the requirement to provide this benefit will be an additional expense to cities, the expense will be a fraction of the estimated costs House Bill 216 would have imposed as part of the workers' compensation system.

GMA is in the process of identifying the most cost effective insurance product to satisfy the requirements of House Bill 146 and will make this available to Georgia cities in 2017.



GIRMA

\$57 million returned in renewal credits since inception

The membership of the property and liability fund was 342 as of fiscal year end 2016.

The fund's financial position continues to be fiscally sound. As of fiscal year end 2016, the fund had total assets of \$161 million.

The financial position of the fund gave the board the opportunity to distribute a \$4.5 million renewal credit to the membership effective May 1, 2016. The board also took action to distribute a \$4.25 million renewal credit for the 2017-2018 program year. Since inception, the fund has returned a total of more than \$57 million in renewal credits to the membership.

Seventy six grants were approved in 2016 for the grant program totaling nearly \$270,000 to leverage the costs of training and general public liability loss control efforts. Since inception of the grant program, the fund has given in excess of \$1.6 million to members of the fund.

Fund members also have access to a free legal advisory service on employment and personnel matters. Over the course of the past year, the advisory service saved members approximately \$287,000 in legal fees.

The Inmate Medical Program, available at no additional premium to its members, has saved members approximately \$524,000 in inmate medical costs due to medical fee negotiations and claims paid on behalf of its members.

Board Composition

Mayor Boyd Austin, Dallas (Chairman)

Mayor Linda Blechinger, Auburn

Mayor Keith Brady, Newnan

Mr. Billy Edwards, City Manager, Hinesville

Ms. Beth English, Mayor Pro Tem, Vienna

Ms. Marcia Hampton, City Manager, Douglasville

Mr. Jason Holt, Councilmember, Fitzgerald

Ms. Meg Kelsey, City Manager, LaGrange

Mr. David Nunn, City Manager, Madison

Mr. W.D. "Danny" Palmer, III, Councilmember, Camilla

Mayor Jimmy Palmer, Calhoun

Mayor Kenneth Smith, Kingsland

Ms. Rebecca Tydings, City Attorney, Centerville

Mayor Kenneth L. Usry, Thomson (Vice Chairman)

Mayor Vince Williams, Union City

The GMA DC Program

GMA offers defined contribution and deferred compensation plans to the membership at no cost to the employer. The deferred compensation plan is designed to allow municipal employees to voluntarily supplement their retirement savings through the deferral of income on a before-tax basis. The defined contribution plan allows cities to contribute on behalf of their employees and/or match contributions employees make to their deferred compensation accounts. GMA has partnered with the Newport Group as the service

manager of the program. The GMA program offers competitive pricing, a commitment to quality service and competitive investment options. Combined, the program has 154 members with active accounts representing nearly \$82 million in employer and employee assets. The program has more than 4,900 participants with an account balance.



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